
This report presents the Financial Statements of the Province of Nova Scotia for the fiscal year ended March 31, 1986. The complete Public Accounts will be presented to the Legislative Assembly at its next session.

Hon. Greg Kerr,
Minister of Finance



Province of Nova Scotia Financial Statements 1986



Nova Scotia

Province of Nova Scotia

Financial Statements

March 31, 1986

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Province of Nova Scotia

Auditors' Report

The Honourable Greg Kerr,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have examined the statement of financial position of the Province of Nova Scotia as at March 31, 1986 and the statements of consolidated fund transactions and of current revenue and expenditure for the year then ended together with notes to the financial statements and the supporting statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Province of Nova Scotia as at March 31, 1986 and the results of its consolidated fund transactions and of its operations for the year then ended in accordance with the accounting policies stated in the notes to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
August 8, 1986

Province of Nova Scotia

Statement of Financial Position

as at March 31, 1986

ASSETS		1986	1985
		(in thousands)	
Current Assets:			
Cash and short-term investments		\$ 311,569	\$ 83,449
Accounts receivable		247,526	215,685
Inventories		28,976	29,037
Advances		2,459	2,192
		<u>590,530</u>	<u>330,363</u>
Capital Assets:			
Advances (Note 5)		758,766	783,523
Investments (Notes 3 and 5)		<u>50,093</u>	<u>49,585</u>
		<u>808,859</u>	<u>833,108</u>
		<u>\$1,399,389</u>	<u>\$1,163,471</u>
LIABILITIES			
Current Liabilities:			
Bank advances		\$ 63,607	\$ 59,094
Accounts payable		199,289	183,481
Accrued interest		<u>172,108</u>	<u>155,863</u>
		<u>435,004</u>	<u>398,438</u>
Capital Liabilities:			
Debentures (Note 6)		4,913,781	4,157,562
Less: Specific Sinking Funds (Note 6)	\$942,589		
General Sinking Funds (Note 6)	<u>29,451</u>	<u>972,040</u>	<u>841,312</u>
		3,941,741	3,316,250
Government of Canada loans (Note 7)	42,624		
Less: Specific Sinking Funds (Note 6)	<u>3,696</u>	<u>38,928</u>	<u>42,680</u>
		<u>3,980,669</u>	<u>3,358,930</u>
Deficiency in net assets of Sydney Steel Corporation (Note 4)		<u>218,878</u>	<u>154,801</u>
		<u>4,634,551</u>	<u>3,912,169</u>
NET DIRECT DEBT			
Net Direct Debt		<u>(3,235,162)</u>	<u>(2,748,698)</u>
		<u>\$1,399,389</u>	<u>\$1,163,471</u>
Trust Funds under Administration		<u>\$1,274,843</u>	<u>\$1,242,247</u>
Contingent Liabilities (Notes 4 and 8)			

Province of Nova Scotia

Consolidated Fund Transactions

for the fiscal year ended March 31, 1986

	1986	1985
	(in thousands)	
Budgetary Transactions		
Current Account		
Excess of Current Operating Expenditure over Revenue and Recoveries	\$251,622	\$220,158
Sinking Fund Instalments and Serial Retirements	77,160	65,065
Net Revenue Deficit	328,782	285,223
Capital Account		
Net Capital Expenditure	189,302	224,408
Advance under the Appropriations Act	34	34
Net Budgetary Transactions	518,118	509,665
Non-Budgetary Transactions		
Capital Expenditure for which no vote is required	2,656	6,751
Net Decrease in Advances and Investments	(7,356)	(12,157)
Expenditure from Health Services Reserve Account	18	16
Earnings on sinking funds pertaining to borrowings for Nova Scotia Power Corporation credited to their Advances	2,480	2,134
Debt Retirement not chargeable to Current Revenue	4,165	4,877
Non-Budgetary Transactions	1,963	1,621
Total Budgetary and Non-Budgetary Transactions	520,081	511,286
Less: Non-Fund Requiring Transactions	21,812	18,229
	<u>\$498,269</u>	<u>\$493,057</u>
Funds Provided By:		
Proceeds of Debentures Issued	\$721,445	\$441,238
Proceeds of disposal of Capital Assets	425	532
Increase in non-cash Net Current Liabilities	7	59,344
Increase in Net Cash and Short-term Investments and Bank Advances	(223,608)	(8,057)
	<u>\$498,269</u>	<u>\$493,057</u>

Province of Nova Scotia

Current Revenue and Expenditure

for the fiscal year ended March 31, 1986

	1986		1985	
	Estimate	Forecast (in thousands)	Actual	Actual
Revenue and Recoveries				
Provincial Sources				
Income Taxes	\$ 587,137	\$ 621,680	\$ 621,680	\$ 544,104
Sales Taxes	706,565	651,065	643,510	595,524
Interest Revenue	75,882	70,912	73,303	78,062
Liquor Commission	89,100	86,100	86,493	83,448
Transportation and Registry of Motor Vehicles	38,033	35,150	35,210	34,259
Other Provincial Revenue	79,951	76,260	75,718	69,232
Federal Sources				
Equalization	588,269	621,338	621,338	620,419
Established Programs Financing	350,758	344,679	344,679	325,516
Shared Cost Programs	155,831	154,999	151,363	142,939
Other Federal Payments	2,251	2,251	2,251	2,251
Other Recoveries	54,950	57,695	59,021	53,796
	<u>2,728,727</u>	<u>2,722,129</u>	<u>2,714,566</u>	<u>2,549,550</u>
Expenditure				
General Government	103,567	100,954	99,102	96,732
Public Protection	80,021	78,006	77,290	69,661
Transportation and Communication	107,132	116,176	114,464	113,706
Resource Development	166,606	191,604	190,955	177,645
Health	780,696	820,375	816,013	755,012
Social Services	293,711	298,539	298,540	283,049
Education	767,340	758,727	757,909	737,530
Culture and Recreation	27,663	28,753	28,709	24,344
Debt Charges	523,506	530,295	539,269	470,888
Municipal Affairs	63,092	61,438	61,337	61,264
	<u>2,913,334</u>	<u>2,984,867</u>	<u>2,983,588</u>	<u>2,789,831</u>
Excess of Current Operating Expenditure over Revenue and Recoveries before prior years' adjustments	184,607	262,738	269,022	240,281
Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements	—	17,400	17,400	20,123
Excess of Current Operating Expenditure over Revenue and Recoveries	184,607	245,338	251,622	220,158
Sinking Fund Instalments and Serial Retirements (Note 6)	<u>77,290</u>	<u>77,160</u>	<u>77,160</u>	<u>65,065</u>
Net Revenue Deficit	<u>\$ 261,897</u>	<u>\$ 322,498</u>	<u>\$ 328,782</u>	<u>\$ 285,223</u>

Province of Nova Scotia

Capital Expenditure

for the fiscal year ended March 31, 1986

	1986			1985
	Estimate	Forecast (in thousands)	Actual	Actual
Capital Expenditure				
General Government	\$ 5,464	\$ 4,742	\$ 4,401	\$ 4,638
Public Protection	3,742	3,226	1,650	2,339
Transportation and Communication	119,164	112,506	110,595	133,606
Resource Development	44,025	44,576	42,232	63,345
Health	41,989	29,024	29,062	24,370
Social Services	218	165	140	91
Education	23,052	19,806	15,895	13,437
Culture and Recreation	3,178	3,086	2,960	6,825
Municipal Affairs	<u>19,306</u>	<u>15,899</u>	<u>15,142</u>	<u>27,353</u>
	260,138	233,030	222,077	276,004
Less: Recoveries	<u>39,691</u>	<u>31,417</u>	<u>30,119</u>	<u>44,845</u>
Net Capital Expenditure	<u>\$220,447</u>	<u>\$201,613</u>	<u>\$191,958</u>	<u>\$231,159</u>

Note: Capital expenditures consist of budgetary and non-budgetary transactions which for the year ended March 31, 1986 amounted to \$189,302,000 and \$2,656,000 respectively (1985 — \$224,408,000 and \$6,751,000).

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Changes in Net Direct Debt

for the fiscal year ended March 31, 1986

	1986 (in thousands)	1985
Net Direct Debt — beginning of year	<u>\$2,748,698</u>	<u>\$2,285,171</u>
Add:		
Excess of Current Operating Expenditure over Revenue and Recoveries (Statement 3)	251,622	220,158
Less: Non-Fund Requiring Transactions	<u>(21,812)</u>	<u>(18,229)</u>
	229,810	201,929
Net Capital Expenditure (Statement 4)	191,958	231,159
Increase in provision for doubtful capital advances and investments	17,032	24,276
Expenditure from Health Services Reserve Account	18	16
Increase in deficiency of net assets of Sydney Steel Corporation for the fiscal year (Note 4)	64,077	14,736
Increase in unrealized foreign currency loss in respect of the translation of foreign debt and sinking funds	59,682	61,213
Discounts on debentures issued	<u>12,405</u>	<u>6,829</u>
Total Additions to Net Direct Debt	<u>574,982</u>	<u>540,158</u>
Deduct:		
Income from sinking funds	87,988	75,951
Proceeds of disposal of capital assets	425	532
Recovery of capital advances previously written off	<u>105</u>	<u>148</u>
Total Deductions from Net Direct Debt	<u>88,518</u>	<u>76,631</u>
Increase in Net Direct Debt for the year	<u>486,464</u>	<u>463,527</u>
Net Direct Debt — end of year	<u><u>\$3,235,162</u></u>	<u><u>\$2,748,698</u></u>

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Advances and Investments

as at March 31, 1986

1986 1985
(in thousands)

Advances:

Housing —

Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of \$71,919,000 in 1986 and \$75,890,000 in 1985)	\$124,001	\$121,822
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Resource and Industrial Development —

Agriculture and Rural Credit Act	128,547	123,378
Deuterium of Canada Act	113,892	113,872
Fisheries Development Act	58,822	67,365
Industrial Development Act	66,035	69,030
Industrial Estates Limited Act	70,576	80,231
Industrial Loan Act	31,074	30,652
Nova Scotia Power Corporation Act	36,812	40,594
Small Business Development Corporation Act	16,440	14,647
Venture Corporations Act	4,574	4,309
Miscellaneous	1,125	1,424

Other —

Loans to Municipalities	37,154	41,411
Universities Assistance Act	69,714	74,788
	<u>758,766</u>	<u>783,523</u>

Investments:

Investments transferred to the Province from Nova Scotia Power Corporation to repay the Corporation's indebtedness	1,528	1,395
Other investments in Provincial agencies and other entities	<u>48,565</u>	<u>48,190</u>
	<u>50,093</u>	<u>49,585</u>
	<u>\$808,859</u>	<u>\$833,108</u>

Additional Advances, Investments and Repayments

for the fiscal year ended March 31, 1986

Additional Advances and Investments			Repayments	
1986 (in thousands)	1985 (in thousands)		1986 (in thousands)	1985 (in thousands)
\$ 40,023	\$ 36,784	Housing —	\$ 38,259	\$ 36,343
		Housing Development Act		
		Resource and Industrial Development —		
16,532	19,730	Agriculture and Rural Credit Act	10,661	10,776
20	2,945	Deuterium of Canada Act	—	—
6,343	7,751	Fisheries Development Act	16,276	15,923
15,376	14,322	Industrial Development Act	5,746	3,928
3,877	7,510	Industrial Estates Limited Act	11,195	21,658
6,031	2,856	Industrial Loan Act	4,125	4,149
133	133	Nova Scotia Power Corporation Act	3,782	6,515
5,358	5,563	Small Business Development Corporation Act	3,336	2,433
2,022	3,030	Venture Corporations Act	9	—
34	305	Miscellaneous	333	7,108
		Other —		
—	—	Loans to Municipalities	4,257	4,346
1,768	1,261	Universities Assistance Act	6,842	1,119
—	—	Health Services Tax Act	18	15
<u>\$ 97,517</u>	<u>\$102,190</u>		<u>\$104,839</u>	<u>\$114,313</u>

Notes to the Financial Statements

March 31, 1986

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Consolidated Fund

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes. All receipts and disbursements of public money must flow through the Consolidated Fund of the Province. However, the Consolidated Fund does not include special funds such as trust, pension and sinking funds.

Receipts and disbursements consist of current revenue and expenditure, capital expenditure and recoveries, advances and investments, and other transactions.

Any net cash requirement of the Consolidated Fund is provided by the Province's traditional sources of financing, including internal sources and borrowings in financial markets.

Net Direct Debt

The Province's financial statements are presented so as to highlight net direct debt, a measurement of financial position. Net direct debt consists of the direct liabilities of the Province less its realizable assets. Capital expenditures on assets of a long-term nature such as highways and public buildings are not considered to be realizable assets for purposes of calculating net direct debt.

Transactions affecting net direct debt are summarized in the statement of changes in net direct debt and consist of current operating revenue and expenditure, capital expenditure, changes in the provision for doubtful capital advances and investments, earnings on sinking funds, unrealized foreign currency translation losses and gains relating to debentures payable in U.S. and other foreign currencies, discounts on debentures issued, expenditures charged to reserve accounts, and changes in the deficiency in net assets of Sydney Steel Corporation.

Budgetary Process

The budgetary estimates, as approved by the Legislative Assembly, provide the authority for current and capital expenditures and indicate the anticipated revenues and recoveries of the Province for the fiscal year. Authority for current expenditure expires at the end of the fiscal year. Authority for capital expenditure for a fiscal year does not expire until the end of the following fiscal year.

Authority for current and capital expenditure is also provided by special legislation and by order of the Lieutenant Governor in Council under the authority of the Provincial Finance Act.

The Estimates are presented annually to the Legislative Assembly and reflect anticipated revenues and expenditure programs for the fiscal year for which approval is requested.

The Estimates also include a Forecast for the previous fiscal year indicating revisions of revenue and expenditure projections.

Estimate and Forecast figures are reflected in the statements of current revenue and expenditure and of capital expenditure.

Accrual Accounting

The accounts of the Province are kept on the accrual basis, revenues being recorded when earned and expenditures being recorded when the liabilities are incurred, with the following exceptions.

Interest on advances made by the Province is included in revenue only as collected, except where interest is capitalized as part of the cost of land assembly projects for housing programs or pursuant to specific agreements.

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Payments from the Federal Government under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act in respect of Equalization and Established Programs Financing Payments and under the Tax Collection Agreement in respect of Personal and Corporate Income Taxes are subject to adjustment in future years. Adjustment payments are reflected separately under "Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements".

Crown Corporations and Agencies

Profits and losses of corporations and agencies owned or controlled by the Province, with the exception of the Nova Scotia Liquor Commission, are not reflected in the revenues and expenditures of the Province except to the extent of any operating grants made by the Province. Operating grants are normally reflected as current expenditure. Profits of the Nova Scotia Liquor Commission are included in current revenue of the Province. The Province provides for the deficiency in the net assets of Sydney Steel Corporation in the calculation of net direct debt.

Net Revenue Surplus (Deficit), Special Reserve and Health Services Reserve Accounts

The annual net revenue surplus (deficit) consists of current revenues and recoveries, excluding sinking fund earnings, less current operating expenditure, and annual sinking fund instalments and serial retirements in respect of capital liabilities.

Pursuant to the Provincial Finance Act, the net revenue surplus in any year may be transferred to special reserve account. The Health Services Tax Act provides that the Minister of Finance may pay out of the Consolidated Fund of the Province such sums as are deemed necessary to establish the health services reserve account. Amounts in these accounts and funds created therefrom may be used for the various purposes defined under the Acts (See Note 2).

Capital Expenditure

Expenditures resulting in the construction or acquisition of assets which are expected to have a useful life in excess of five years are charged to capital in the Province's accounts. Capital account appropriations also include certain expenditures on assets of a long-term nature to which title may vest with entities other than the Provincial Government (such as hospitals or municipalities), but which are considered to be for the benefit of the general populace of the Province. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt.

Capital Advances and Investments

Capital advances and investments, including those to or on behalf of corporations and agencies owned or controlled by the Province, are made under the authority and limitations of various Provincial statutes. Capital advances and investments are reflected in the financial statements net of losses and provisions for losses, which are charged directly to the Net Direct Debt account.

Accounts Receivable and Current Advances

Accounts receivable and current advances are reflected in the financial statements net of provisions for losses or uncollectable amounts, which are established as required through charges to current revenue and expenditure.

Inventories

Inventories consist mainly of goods for resale and machinery repair parts, gravel, lumber and other materials relating to the upkeep of highways. Inventories also include selected operating supplies, which are used mainly by Provincially operated hospitals, hotels and educational institutions. Inventories are stated at the lower of cost and net realizable value.

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Debentures and Sinking Funds

The Province's debentures payable in foreign currencies, accrued interest thereon, and related sinking funds invested in foreign currencies, are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. Foreign exchange rate adjustments arising from sinking fund instalments and serial retirement payments and from the payment of interest are reflected in current expenditure at rates in effect at the date of the transaction.

The Province operates sinking funds for the purpose of retiring capital liabilities. These sinking funds are reflected in the statement of financial position at cost adjusted for the amortization of premiums and discounts on investments.

Pursuant to the Provincial Finance Act, sinking fund instalments and serial retirements of capital liabilities are treated as a current expenditure in the calculation of net revenue surplus (deficit).

Earnings on sinking funds are not reflected as current account revenue.

Foreign Currency Translation — Unrealized Losses and Gains

Unrealized foreign currency losses and gains relating to the translation of debentures payable in foreign currencies to the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements are amortized, net of unrealized translation gains and losses on related sinking funds, over the terms of the debenture issues by charges or credits to current expenditure.

Discounts on Debentures

Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by annual charges to current expenditure. Unamortized discounts at March 31, 1986 amounted to \$40,521,000 (1985 — \$31,838,000).

2. SPECIAL RESERVE AND HEALTH SERVICES RESERVE ACCOUNTS

Pursuant to authority granted by the Lieutenant Governor in Council, expenditures may be made from funds created from special reserve account and health services reserve account rather than being reflected in the calculation of the net revenue surplus (deficit) or as capital expenditures. Expenditures from these accounts amounted to \$18,000 for the fiscal year ended March 31, 1986 (1985 — \$16,000).

The unexpended balances of these accounts at March 31, 1986, which form part of the Consolidated Fund, amounted to \$8,153,000 (1985 — \$8,377,000) of which \$2,853,000 (1985 — \$3,597,000) had been authorized to be advanced or expended and \$5,300,000 (1985 — \$4,780,000) represented unappropriated balances of the accounts.

3. INVESTMENTS

At March 31, 1986 investments included \$20,007,000 (1985 — \$19,632,000), net of an allowance for uncollectable amounts of \$2,605,000 (1985 — \$1,805,000), of redeemable preference shares of Industrial Estates Limited ("IEL") purchased by the Province, of which \$18,807,000 (1985 — \$18,632,000) is in respect of expenditures by IEL for the development of industrial parks. The shares issued in respect of the development of industrial parks are redeemable from the proceeds of the sale of industrial park lands. During the year, the Province purchased \$175,000 (1985 — \$4,051,000) of additional preference shares representing additional expenditures on industrial parks of \$558,000 (1985 — \$4,540,000) less sales and depreciation of \$383,000 (1985 — \$489,000).

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At March 31, 1986 investments also included \$25,334,000 (1985 — \$25,334,000) of redeemable non-voting preferred shares of National Sea Products Ltd. and its wholly owned subsidiary, Canso Sea Products Limited, purchased pursuant to arrangements entered into in 1984 concerning the restructuring of two major fishing companies. Proceeds were used to reduce debt owing to the Province.

4. SYDNEY STEEL CORPORATION (SYSCO)

Sydney Steel Corporation, a Provincial Crown corporation established by an Act of the Legislature, operates a steel mill at Sydney.

To March 31, 1986 the Province had made cumulative operating grants to Sysco totalling \$177,509,000 (including operating grants of \$7,385,000 for the fiscal year ended March 31, 1986 / 1985 — \$8,247,000), converted \$52,332,000 of advances to Sysco to equity, made \$78,609,000 in equity contributions for debt retirement, and contributed \$125,835,000 in respect of capital expenditure programs of which approximately \$96,389,000 has been recovered from the Federal Government. Annual operating grants are reflected as current expenditure and equity contributions as capital expenditure in the Province's financial statements.

At March 31, 1986 the Province had given guarantees in respect of Sysco as follows:

	(in thousands)
- Guaranteed lines of credit (maximum of \$358,000,000)	\$343,343
- U.S. \$18,075,000 of debentures	25,229 (1)
- Performance bonds and letters of credit (of a \$5,000,000 guaranteed line of credit)	5,000
	<u>\$373,572</u>

(1) Canadian dollar equivalent at rate of exchange in effect at March 31, 1986.

To March 31, 1986 the Province had reflected \$218,878,000 in the calculation of net direct debt in respect of the deficiency in Sysco's net assets. The deficiency represents the amount by which Sysco's liabilities, the majority of which are guaranteed by the Province, exceed the book value of Sysco's assets after deducting accumulated depreciation. During the fiscal year ended March 31, 1986 the Province recorded a net increase of \$64,077,000 in the calculation of net direct debt in respect of the change in Sysco's net assets during the year, calculated as follows:

	(in thousands)
- Net loss of Sysco for the year after adjusting for transfer of \$1,643,000 from appraisal surplus in respect of depreciation charges	\$ 74,612
- Less: Equity contributions by Province to Sysco for debt retirement	10,535
	<u>\$ 64,077</u>

The ability of Sysco to continue as a viable operation is dependent on the continued financial support of the Province and on an improved level of operating results. It is not possible to determine at present the extent of any losses that may be incurred by the Province on its equity contributions to Sysco and on its guarantees of Sysco's indebtedness.

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5. DEUTERIUM OF CANADA LIMITED (DEUTERIUM)

On February 9, 1978 an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited (AECL), the Federal Government corporation responsible for Canada's nuclear program. The purchase price is being paid in quarterly instalments over 20 years, which commenced April 1, 1978, amounting to \$3,300,000 per year. Title to the facilities will pass upon payment of the final instalment.

The instalments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. These investments amounted to \$32,884,000 at March 31, 1986. At the date of the final payment, January 1, 1998, the fund will total \$118,900,000 and will be used to repay the Province's advances to and investment in Deuterium.

At March 31, 1986 advances to and investment in Deuterium amounted to \$113,892,000 and \$3,025,000, respectively. Since March 31, 1970 the Province has waived interest on its advances to Deuterium.

6. DEBENTURES, DEBT CHARGES AND SINKING FUNDS

Debentures payable in foreign currencies and related sinking funds invested in foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements.

Debentures outstanding and related sinking funds at March 31, 1986 were as follows:

	Debentures Outstanding	Specific Sinking Funds (1)	Net
		(in thousands)	
Payable in Canadian currency			
- Canada Pension Plan			
Investment Fund	\$1,170,043	\$255,106	\$ 914,937
- Other Issues	1,442,855	166,580	1,276,275
	2,612,898	421,686	2,191,212
Payable in U.S. currency (2)	1,960,853	510,218	1,450,635
Payable in other foreign currencies	340,030 (3)	10,685	329,345
	<u>\$4,913,781</u>	<u>\$942,589</u>	<u>\$3,971,192</u>

(1) In addition, at March 31, 1986 the Province had general sinking funds amounting to \$29,451,000 and sinking funds totalling \$3,696,000 for the retirement of loans from the Government of Canada.

(2) The Canadian dollar equivalent at the rate of exchange prevailing at March 31, 1986 of debentures payable of U.S. \$1,404,824,000 and sinking funds of U.S. \$365,538,000.

(3) The Canadian dollar equivalent at rates of exchange prevailing at March 31, 1986 of:

DM	10,000,000	UK £	90,000,000
FF	35,000,000	SF	200,000,000

Debt charges consist primarily of interest on outstanding debentures and include realized foreign exchange costs in respect of payments for the retirement of foreign debt. Debt charges also include charges in respect of the amortization of unrealized foreign exchange costs related to the translation of foreign debt to the Canadian dollar equivalent at rates of exchange in effect at the statement date.

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Debt Charges for the years ended March 31, 1986 and 1985 are summarized below:

	1986	1985
	(in thousands)	
Interest on outstanding debentures	\$505,443	\$440,980
Amortization of discounts on debentures	3,722	3,355
Interest on short-term borrowings	5,515	7,860
Foreign exchange costs realized	9,062	6,243
Amortization of unrealized foreign exchange costs	14,860	11,613
Other financing charges and costs	667	837
	<u>\$539,269</u>	<u>\$470,888</u>

Sinking funds consist primarily of debentures of the Province of Nova Scotia and the Government of Canada. Sinking funds for debentures payable in U.S. currency are invested in U.S. funds. Where feasible, sinking funds for debentures payable in other currencies are invested in the currency of the issue, with the balance invested in Canadian funds.

Sinking fund instalments and serial retirements and other amounts charged to current revenue during the fiscal year ended March 31, 1986 amounted to \$81,325,000 of which \$43,669,000 represented required payments for the fiscal year. Sinking fund instalments and serial retirements are reflected in the calculation of net revenue deficit net of amounts totalling \$4,165,000 pertaining to borrowings of certain Crown corporations and Government of Canada loans on behalf of municipalities.

7. GOVERNMENT OF CANADA LOANS

Government of Canada loans of \$42,624,000 at March 31, 1986 (1985 — \$46,159,000) include funds provided in respect of municipal projects under federally sponsored programs which the Province in turn advanced to municipalities under similar terms and conditions. These advances amounted to \$20,124,000 at March 31, 1986 (1985 — \$21,901,000). The balance of the loans from the Government of Canada were provided to fund provincially sponsored projects.

8. CONTINGENT LIABILITIES

The Province acts as a guarantor of debt issued by Crown corporations, agencies, and various other entities under authorities provided by Provincial statutes. At March 31, 1986 outstanding bank loans, bonds, debentures, etc. directly guaranteed by the Province totalled \$1,905,518,000 as summarized below.

	(in thousands)
Nova Scotia Power Corporation	\$1,132,943
Sydney Steel Corporation	368,572
Nova Scotia Municipal Finance Corporation	187,201
Halifax-Dartmouth Bridge Commission	86,796
Nova Scotia Resources Limited	73,644
Trade Centre Limited	23,000
Industrial Development Act	31,149
Other	2,213
	<u>\$1,905,518</u>

Province of Nova Scotia

The Province is contingently liable, pursuant to an agreement between the Government of Canada and the Province entered into under the Atlantic Provinces Power Development Act, for the repayment by the Nova Scotia Power Corporation of long-term notes payable to the Government of Canada amounting to \$45,489,000 at March 31, 1986. The Province has also guaranteed contractual obligations of the Nova Scotia Power Corporation amounting to \$17,241,000 at March 31, 1986.

At March 31, 1986 the Province had guaranteed performance bonds and letters of credit totalling \$5,060,000 for Sydney Steel Corporation and had issued other performance guarantees totalling \$16,487,000 pursuant to the Industrial Development Act.

9. CANADA-NOVA SCOTIA (OFFSHORE) DEVELOPMENT FUND

The Canada-Nova Scotia Oil and Gas Agreement Act established a \$200,000,000 Development Fund to support expenditures incurred by the Province that relate to offshore development. The Act and Agreements pursuant thereto provide that the Government of Canada may disburse up to \$50,000,000 annually to the Province for each of the four years beginning in 1984-85. Funds may be paid to the Province pursuant to the approval of projects by the Federal Minister of Energy, Mines and Resources. Funds not disbursed in one fiscal year may be carried forward and disbursed in subsequent fiscal years.

Amounts paid to the Province are repayable to the Government of Canada, without interest, solely from revenues flowing to the Province from the production of offshore oil or gas.

During the 1985-86 fiscal year \$9,668,000 of capital expenditure, \$2,000,000 of capital advances and \$32,768,000 of current expenditure incurred by the Province were charged to the Canada-Nova Scotia (Offshore) Development Fund. The total disbursements charged to the Fund to March 31, 1986 amounted to \$70,317,000.

10. COMMITMENTS

The Province was obligated to the extent of approximately \$77,882,000 for construction contracts entered into on or before March 31, 1986 and not completed at that date, of which \$40,869,000 is in respect of projects being funded by other agencies or the Federal Government.

11. PUBLIC SERVICE SUPERANNUATION PLAN

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The operation of the plan is generally conducted within the Public Service Superannuation Fund to which employee and matching employer contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Public Service Superannuation Fund is invested in federal, provincial, municipal and corporate securities and mortgages eligible for investment under the Provincial Finance Act.

The Public Service Superannuation Fund is not part of the Consolidated Fund of the Province. However, Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province rather than to the Public Service Superannuation Fund. Such payments for the fiscal year ended March 31, 1986 amounted to \$1,453,000 (1985 — \$1,401,000) or 5.5% of the total benefits paid. In addition, payments must be made by the Province out of its Consolidated Fund if the Public Service Superannuation Fund is insufficient to provide for pension payments as they become due.

Province of Nova Scotia

The plan is funded by employee contributions of 7% of salary and equal contributions by the Province and participating agencies. During the fiscal year ended March 31, 1986, matching employer contributions of the Province and participating agencies totalled \$18,836,000 and \$6,439,000, respectively; employee and employer contributions for the year totalled \$50,550,000.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year for which contributions were made. Benefits paid are integrated with Canada Pension Plan benefits. Employees and the Province contribute at a reduced rate (5.4%) and receive a reduced pension (1.3%) in respect of earnings eligible for Canada Pension Plan benefits. Pension payments are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6%.

At March 31, 1986, the Public Service Superannuation Fund amounted to \$644,205,000 (1985 — \$553,792,000). Fund assets are valued at cost adjusted for the amortization of discounts and premiums, with the exception of equity investments which are valued at cost. The market value of assets at March 31, 1986 was \$86,627,000 (1985 — \$4,622,000) in excess of the book value.

Actuarial valuations of the Public Service Superannuation Fund are carried out periodically and provide an estimate of fund liabilities at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and rates of return on investments. The latest report on the actuarial valuation of the Public Service Superannuation Fund was based on information as of June 30, 1984.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and projected average salaries for the five highest years at the date of retirement. The assumptions used in the actuarial valuation at June 30, 1984 include a 5% inflation rate, 1% real average salary increases, 1% salary increases for individual merit to age 55 and 4½% real rate of return on investments. The actuarial valuation, adjusted to reflect changes to the Pension Plan which are effective April 1, 1986, indicates that at June 30, 1984 the Fund had actuarial liabilities with a present value of \$761,475,000, assets of \$492,713,000 and an unfunded actuarial liability of \$268,762,000. Approximately 86% of employee and employer contributions are required to meet current service costs; the remaining 14% is available for funding of past service costs.

The report also provides information on the financial position of the Plan at June 30, 1984 on the basis of benefits earned in respect of actual salaries and service to date, without provision for future salary increases which will affect actual pension payments. The report indicates that at June 30, 1984, without provision for future salary increases, and adjusted to reflect changes to the Pension Plan which are effective April 1, 1986, the Fund had accrued liabilities with a present value of \$530,981,000, assets of \$492,713,000 and an unfunded accrued liability of \$38,268,000.

This brochure and other Financial
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